
PRELICENSING EDUCATION

EDUCATIONAL OBJECTIVES

California Life Agent Examination

OVERVIEW

Section 1677 of the California Insurance Code requires that the life agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has sufficient knowledge of insurance and insurance laws. What is "sufficient knowledge?" To answer this question, we must first determine what a "typical successful candidate for a life agent license" looks like.

For purposes of the prelicensing curriculum and examination, the typical successful applicant is defined as an entry level employee of an agency or a company. Passing the examination is the completion of an important first step of a lifetime of insurance education and experience for this person. The typical new life agent will be trained to sell/service the less complex types of business first. Sufficient knowledge is what this typical new life agent needs to know at the start of one's career.

- (1) With the most specific knowledge required in:
 - * Basic life and disability insurance concepts and principles
 - * Insurance Code and Ethics
 - * Responsibilities and authority of a life insurance agent
 - * Commonly written life and disability insurance products
 - * Senior health insurance products
- (2) With a general understanding of:
 - * commonly used non-insurance disability systems
 - * social life and disability insurance programs
 - * what is happening in today's marketplace

The insurance examination does not measure sales or communications skills, self management, motivation, knowledge of agency or company procedures or policy rating skills.

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The educational objectives are statements of what an applicant must do, under what conditions, and how well to demonstrate sufficient knowledge to pass the licensing examination. There are two types of objectives: the enabling educational objectives and the terminal educational objectives.

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THE ENABLING EDUCATIONAL OBJECTIVES

The enabling educational objectives are the individual educational objectives contained on the following pages. They are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187.1 of the California Code of Regulations (CCR). The purpose of these objectives is to:

Express clearly what an applicant must be able to do to show an acceptable level of mastery of each educational objective.

THE EXAMINATION

Examination questions are based on the educational objectives. Mastery of the educational objectives should guarantee success on the examination.

All percentage distributions shown for sections of the Educational Objectives are plus or minus 1 percent.

THE TERMINAL EDUCATIONAL OBJECTIVE

The terminal objective is the overall objective. The terminal objective is that a successful applicant for licensing as a Life Agent will, without any aids (e.g. reference materials, calculators), meet the following requirements.

He or she will correctly answer a minimum of 70 percent of the questions on the California Department of Insurance Life Agent examination during the three hours allowed for the 150 question multiple-choice examination.

CODE AND ETHICS

The educational objectives for Code and Ethics are incorporated in the following pages. The individual objectives may be identified by "(CIC XXXX)" or "(Ethics)" or "(Code)." References to "Code" or "CIC" in the educational objectives mean the California Insurance Code.

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HEALTH and DISABILITY INSURANCE

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I. GENERAL INSURANCE (26 percent)

I. A. Basic Insurance Concepts and Principles

1. Be able to identify examples of insurance (as defined [CIC 22]).
2. Be able to recognize the definition of risk.
3. Be able to differentiate between a pure risk and a speculative risk.
4. Be able to identify a definition of peril.
5. Be able to identify a definition of hazard.
6. Be able to differentiate between moral, morale, and physical hazards.
7. Be able to identify the definition of the law of large numbers.
8. Be able to identify a definition or the correct usage of the term loss exposure.
(a) Be able to identify risk situations that present the possibility of a loss.
9. Be able to recognize the requisites of an ideally insurable risk.
10. Be able to identify the definition of insurable events (CIC 250).
11. Be able to identify and apply the definition of insurable interest, and indemnity, and be able to recognize the applicability of these terms to a given situation.
12. Be able to identify why private insurers underwrite the insurance applications they receive.
13. Be able to identify the meaning of adverse selection and profitable distribution of exposures.
14. Be able to identify:
 - (a) the Fair Credit Reporting Act;
 - (b) Medical Information Bureau.

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I. GENERAL INSURANCE

I. B. Contract Law

1. Be able to identify and compare contract law and tort law.
2. Be able to identify the four major elements of a contract (agreement, competent parties, legal purpose, and consideration).
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:
 - (a) contract of adhesion;
 - (b) conditional contract;
 - (c) aleatory;
 - (d) unilateral;
 - (e) personal;
 - (f) utmost good faith;
 - (g) indemnity.
4. Be able to identify the term insurance policy (CIC 380).
5. Be able to identify the meaning and effect of each of the following on a contract:
 - (a) fraud (CIC 338, 1871.1 - 1871.4);
 - (b) concealment (CIC 330-339);
 - (1) **Be able to identify information that does not need to be communicated in a contract: (CIC 333)**
 - (a) **known information;**
 - (b) **information that should be known;**
 - (c) **information which the other party waives;**
 - (d) **information that is not material to the risk.**
 - (c) warranty (CIC 440-445, 447);
 - (1) **know that a representation in an insurance contract qualifies as an implied warranty.**
 - (d) materiality (CIC 334);
 - (1) **know that the materiality of concealment is the rule used to determine the importance of a misrepresentation.**

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- (e) representations (CIC 350-361);
 - (1) **know when a representation can be altered or withdrawn (CIC 355);**
 - (2) **know that a representation is false when the facts fail to correspond with its assertions or stipulations (CIC 358).**
 - (f) misrepresentation (CIC 780-784).
6. Be able to identify six required specifications for all insurance policies (CIC 381).
(a) **know that the financial rating of the insurer is not required to be specified in the insurance policy (CIC 381).**
7. Be able to identify:
(a) the meaning of the term rescission;
(b) when an insurer has the right of rescission (CIC 331, 338, 359, 447).
(1) **know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (CIC 331).**
8. Given an insurance situation, be able to identify the following terms correctly:
(a) application, policy, rider;
(b) cancellation, lapse, renewal / nonrenewal, grace period;
(c) rate/premium, earned/unearned premium;
(1) **know the price of insurance for each exposure unit is called the rate.**
(d) preferred/standard/substandard risk.

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C1. Distribution Systems

1. Be able to identify a definition of the following marketing systems:
- (a) Agency;
 - (b) Direct Response;
 - (c) Managing General Agent;
 - 1. **Know that an MGA can be any person, firm, association, partnership, or corporation that manages all or part of an insurer's business (including a separate division, department or underwriting office);**
 - 2. **Know that an MGA acts as an agent and produces and underwrites gross direct written premium equal to or more**

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than 5 percent of the policyholder surplus as reported in the insurer's last annual statement and either:

- a. adjusts or pays claims in excess of an amount determined by the Commissioner, or;
- b. negotiates and binds ceding reinsurance on behalf of the insurer (CIC 769.81[c]).

(d) Home Service.

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I. C. The Insurance Marketplace

I. C2. Producers

1. Given a situation involving the legal relationship of a life agent and either a principal (an insurer or agency principal) or an insured/applicant, be able to assess:
 - (a) the legal relationship;
 - (b) the responsibilities and duties of each;
 - (c) the effect of the types of authority an agent may have (express / implied / apparent).
2. With regard to the underwriting of applicants and /or insureds, be able to:
 - (a) identify a producer's responsibilities;
 - (b) differentiate between the limitations placed on insurer pre-selection and post-selection activities.
3. Be able to identify a definition of the following:
 - (a) Life agent (CIC 1622);
 - (b) Life and Disability Analyst (CIC 32.5).
4. Be able to identify the Code definition of transact and why the definition is important (CIC 35, 1621-1624, 1631, 1633).
5. Be able to identify:
 - (a) that the Code prohibits certain actions by unlicensed persons (CIC 1631);
 - (b) the penalty for such ["(a)" above] prohibited actions (CIC 1633).
6. Be able to identify the differences between the terms agent and broker with respect to their relationship with insurers and with their insureds.

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7. Be able to identify the Code provisions regarding a Life agent acting as an agent for an insurer for which the agent is not specifically appointed (CIC 1704.5).
8. Be able to recognize:
 - (a) the differences between the authority of an agent and a solicitor;
 - (b) that there is no such license as "life solicitor." CIC 1704(d)
9. For Insurance Agent's Errors & Omissions insurance, be able to identify:
 - (a) the types of coverages available;
 - (b) the types of losses commonly covered / not covered;
 - (c) the need for the coverage.
10. Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers (CIC 703).
11. Be able to identify the prohibitions of free insurance (CIC 777.1).
12. Be able to identify the Code requirements for the following:
 - (a) an agency name, use of name (CIC 1724.5, 1729.5);
 - (b) change of address (CIC 1729);
 - (c) records (CIC 10508);
 - (d) filing license renewal application (CIC 1720);
 - (e) printing license number on documents (CIC 1725.5);
 - (f) **know the duties of a co-partnership whose membership has changed. Note: to return the old license with signatures of the original members to the commissioner is not one of those duties (CIC 711).**
13. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (CIC 1666, 1668-1669, 1738).
14. Be able to identify the importance and the scope of the California Insurance Code regarding:
 - (a) the filing of a notice of appointment to transact Life insurance (CIC 1704, 1705);
 - (b) the filing of a notice of appointment to transact Disability insurance (CIC 1673, 1704-1705);
 - (c) an inactive license (CIC 1704a).

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- (d) **cancellation of a license by the licensee in the licensee's possession or in the employer's possession (CIC 1708).**
- 15. **Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (CIC 1708-1712.5).**
- 16. Be able to identify and apply:
 - (a) the definition of the term "fiduciary;"
 - (b) (b) producer fiduciary duties described in the Code (CIC 1733-1735).
- 17. Be able to identify the continuing education requirements for:
 - (a) a Life agent (CIC 1749.3);
 - (b) an agent writing Long Term Care Insurance (CIC 10234.93);
 - (c) agents writing California Partnership coverage (must meet LTC requirements PLUS four hours a year for "junior agents" and eight hours every two years for "seniors" of CA partnership education. The total hours of CE required are not increased by (b) or (c)];
 - (d) **a life agent and a fire and casualty broker-agent must complete 25 hours of training in the first four 12-month periods for either license.**
- 18. Be able to identify the definition of an administrator (CIC 1759).
- 19. Concerning a Life and Disability Insurance Analyst license, be able to identify:
 - (a) the licensing requirements (CIC 1836);
 - (b) requirements and prohibitions for charging fees (CIC 1848).
- 20. **Know that the interpretation of policy provisions is not a primary objective of insurance regulation.**

The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for Life examination questions.

- 21. Be able to identify and apply the meaning of the following:
 - (a) place the customer's interest first;
 - (b) know your job - and continue to increase your level of competence;
 - (c) identify the customer's needs and recommend products and services that meet those needs;
 - (d) accurately and truthfully represent products and services;
 - (e) use simple language; talk the layman's language when possible;

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- (f) stay in touch with customers and conduct periodic coverage reviews;
 - (g) protect your confidential relationship with your client;
 - (h) keep informed of and obey all insurance laws and regulations;
 - (i) provide exemplary service to your clients;
 - (j) avoid unfair or inaccurate remarks about the competition.
22. Be able to identify that the California Insurance Code and the California Code of Regulations identify many unethical and /or illegal practices, but they are NOT a complete guide to ethical behavior (CIC, CCR).
23. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews (CIC 791.03).
24. Be able to identify the alterations an agent may make to an applicant's written disability application (CIC 10382).

I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C3. Insurers

1. Be able to differentiate between:
- (a) admitted and nonadmitted insurers (CIC 24-25);
 - (b) domestic, foreign and alien insurers (CIC 26-27).
3. Be able to identify the functions of the following major operating divisions of insurers: Marketing / Sales, Underwriting, Claims, Actuarial.
4. **Be able to identify that a primary insurer is the insurance company who transfers its loss exposure to another insurer in a reinsurance transaction.**
5. Be able to identify who may be an insurer (CIC 150).
- (a) **person, association, organization, partnership, business trust, limited liability company or corporation (CIC 19).**
6. Be able to differentiate between Mutual, Stock and Fraternal insurers.
- (a) **know that de-mutualization is a process whereby a mutual insurer becomes a stock company (CIC 11535).**
7. Be able to identify the meaning of post-claims underwriting and what Code restrictions apply (CIC 10384).

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I. GENERAL INSURANCE

I. C. The Insurance Marketplace

I. C4. Market Regulation - General

1. Be able to identify:
 - (a) the California Insurance Code (CIC) and how it may be changed (Code);
 - (b) the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code);
 - (c) how the insurance commissioner is selected and the responsibilities of the position (CIC 12900, 12921).
2. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (CIC 790-790.10).
3. Be able to identify the correct application of the Insurance Information and Privacy Protection Act regarding practices, prohibitions and penalties (CIC 791-791.26).
4. Be able to identify the scope and correct application of the conservation proceedings described in the Code (CIC 1011, 1013, 1016).
5. **Be able to define an insolvent insurer (CIC 985).**
 - (a) **Know the definition of Paid-in Capital (CIC 36 & 985);**
 - (b) **Know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding (CIC 1013).**
6. Be able to identify the purpose and scope of the Code concerning the California Life and Health Insurance Guarantee Association (CIC 1067.02[a][1], 1067.02[b][1]).
7. Be able to identify:
 - (a) common circumstances that would suggest the possibility of fraud;
 - (b) efforts to combat fraud (CIC 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3[b](1));
 - (c) **that if an insured signs a fraudulent claim form, the insured may be guilty of perjury.**
8. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code (CIC 1871, 1871.4).

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9. Be able to identify the requirements for:
 - (a) discontinuance and replacement of Group Disability Insurance;
 - (b) discontinuance of Group Life Insurance (CIC 10128.1-10128.4).

10. Be able to identify discriminatory practices prohibited by the California Insurance Code (CIC 10140-10145).
 - (a) **know that it would be a discriminatory practice for an insurer to refuse to accept, charge higher premiums for, or provide different terms of insurance when a potential applicant for a disability insurance policy is shown to have a genetic characteristic which could contribute to the person's disability (CIC 10140[b]).**

11. Be able to identify the meaning of (as used in the CIC):
 - (a) shall and may (CIC 16);
 - (b) person (CIC 19).

12. Be able to identify the requirements for notice by mail (CIC 38).

II. LIFE INSURANCE (37% of questions)

II. A. Life Insurance - Basics

1. Be able to identify examples or definitions of:
 - (a) life insurance;
 - (b) applicant, policy owner, insured, beneficiary.

2. Be able to identify the elements of the personal financial planning process:
 - (a) identify overall financial objectives;
 - (b) develop and implement (including use of risk management techniques) a plan to accomplish the objectives.

3. Be able to identify the major components of the personal (non-property/liability) risk management process identifying, quantifying, and treating loss exposures (identified and quantified by - human life value approach or needs approach) and (treated by - Avoidance, Retention, Sharing, Reduction, Transferring).

4. Be able to identify the following business uses of life insurance:
 - (a) key person insurance;
 - (b) buy-sell insurance.

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5. Be able to identify what is meant by the term limit of liability in a life policy.
6. Be able to identify when insurable interest is required to exist under life insurance policies (CIC 10110).
7. Be able to identify:
 - (a) the term mortality;
 - (b) the term mortality table including how it is developed.
8. Be able to identify the meaning of the statement "Life insurance creates an immediate estate."

II. LIFE INSURANCE

II. B. Types of Life Policies and Riders

1. Be able to differentiate between the following types of life insurance policies:
 - (a) par and non-par;
 - (b) ordinary, industrial (home service), group.
2. Be able to identify which of an applicant's needs each of the following general classes of policies might best fulfill:
 - (a) term;
 - (b) endowment;
 - (c) whole life;
 - (d) universal life;
 - (e) variable life.
3. Be able to differentiate between common modes of premium payment.
4. Be able to identify which of an applicant's needs each of the following special policies or riders might fulfill:
 - (a) mortgage redemption;
 - (b) family protection, family policy, family rider;
 - (c) joint life (1st to die, Last to die);

Take into consideration the various types of premium payment plans (single premium, limited pay, modified pay, level, fixed vs. flexible, guaranteed @ initial level vs. initial and maximum premium tables, etc.) where applicable, for each type of policy.

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- (1) **know the following concerning survivorship life insurance:**
 - a. **offers premiums that are quite low compared with those that would be charged for separate policies;**
 - b. **well situated to meet the need for cash to cover estate taxes;**
 - c. **face amounts are usually more than one million dollars.**
 - (d) policies linked to indexes;
 - (e) juvenile policies (including Jumping Juvenile, Payor Rider).
- 5. Be able to identify which of an applicant's needs might be fulfilled by each of the following riders / clauses:
 - (a) waiver of premium / waiver of monthly deduction;
 - (b) disability income;
 - (c) accidental death;
 - (d) cost of living;
 - (e) living need;
 - (f) guaranteed insurability.
- 6. Be able to identify the following types of term products:
 - (a) level term;
 - (b) renewable term;
 - (c) convertible term;
 - (d) decreasing term.

II. LIFE INSURANCE

II C. Annuities

- 1. Be able to identify a definition of an:
 - (a) annuity;
 - (b) annuitant;
 - (c) owner;
 - (d) beneficiary.
- 2. Be able to identify the business and personal uses for annuity products.
- 3. Be able to identify and differentiate between:
 - (a) immediate and deferred annuities, including single-premium-deferred and flexible premium-deferred;
 - (b) fixed and variable annuities;
 - (c) accumulation period and annuity period;

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- (d) general account vs. separate account;
 - (e) qualified vs. nonqualified annuities;
 - (f) group vs. individual annuities;
 - (g) equity index annuities;
 - (h) market value adjusted annuities;
 - (i) tax sheltered annuities (403b);
 - (j) individual retirement annuities (IRAs); and
 - (k) Roth IRAs.
4. Be able to identify and differentiate between benefit payment options:
- (a) pure / straight life, refund life, installments certain;
 - (b) joint-life and joint-and-survivor annuities.
5. Be able to identify the following:
- (a) the relevant information to be obtained in making recommendations to a senior consumer;
 - (1) Occupation and occupational status;
 - (2) Marital status;
 - (3) Age;
 - (4) Number and type of dependents;
 - (5) Sources of income;
 - (6) Yearly income;
 - (7) The consumer's existing insurance;
 - (8) The consumer's insurance needs and objectives;
 - (9) The cost to the consumer and the consumer's ability to pay for the proposed transaction or transactions;
 - (10) Source of funds to pay premiums;
 - (11) Investment savings;
 - (12) Liquid net worth;
 - (13) Tax status;
 - (14) Need for tax advantages;
 - (15) Investment experience of the consumer;**
 - (16) Consumer concern for preservation of principle;
 - (17) Product time horizon; and
 - (18) The consumer's awareness of liquidity limitations or surrender charges.
 - (b) the standards for determining whether agent's recommended transactions meet senior consumer's insurance needs and financial objectives.

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II. LIFE INSURANCE

II. D. Life Insurance and Annuities - Policy Replacement / Cancellation

1. Be able to identify the insured's rights to cancel a recently purchased life policy, when insured is:
 - (a) age 60 or over;
 - (b) less than 60 years of age (CIC 10127.09-10127.10).
2. Be able to identify the requirements and penalties of the "Replacement of Life Insurance and Annuity Policies" article (CIC 10509-10509.09).
 - (a) **Know the responsibilities of an agent who replaces an existing life insurance contract (CIC 10509.4).**
3. **Know what *types of disclosures are required* if the applicant requests an immediate investment of funds (CIC 10127.10).**
4. **During the free-look period, know what the investment requirements are (CIC 10127.10).**

II. LIFE INSURANCE

II. E. The Life Insurance Contract

1. Regarding life insurance applications, be able to identify:
 - (a) the types of information required on the application;
 - (b) why insurers attach them to a life policy and why they become part of a life policy.
2. Be able to identify the types of information recorded on the policy title page.
3. Be able to identify that there are no "standard" life policies (unlike fire and casualty).
4. Be able to identify the common provisions of life policies including those required by state law.
5. Be able to identify a description of each of the non-forfeiture values displayed in the Table of Guaranteed Values.
 - (a) **know that extended term insurance is the nonforfeiture option that uses cash surrender values to purchase paid-up term insurance for the full face amount of the policy.**

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6. Be able to identify the effect of the following:
 - (a) a provision for a common disaster (survivorship / time clause);
 - (b) a spendthrift clause.
7. Be able to identify why a policy owner might want to select the Automatic Premium Loan option.
8. Be able to identify why reinstating a lapsed policy might be wiser for a policy owner than purchasing a new policy.
9. Be able to identify the effect of the Entire Contract provision.
10. Be able to identify the effect of the Incontestability clause.
11. Be able to identify reasons why the various Settlement Options might be selected.
12. Be able to identify the effect of the suicide clause.
13. Be able to identify policy owners' and beneficiaries' rights and options regarding:
 - (a) assignment / transfer of policy;
 - (1) **know how viatical settlements are effected through the use of absolute assignment.**
 - (b) selecting / changing payment mode;
 - (c) selecting / changing beneficiaries;
 - (d) selecting / changing settlement options;
 - (e) cash values;
 - (f) dividends / excess interest credits;
 - (g) surrender charges.
 - (h) **self funding**
14. Be able to identify which method used to designate beneficiaries (spouse, children) best serves the needs of a policy owner in common situations.
15. Be able to identify the rights of the following, after the life insureds death:
 - (a) beneficiaries;
 - (b) creditors.
16. Be able to differentiate between the following:
 - (a) conditional receipt;
 - (b) binding receipt;

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- (1) **know that a written binder is deemed a valid insurance policy for the purpose of proving that the insured has insurance coverage.**
 - (a) **this excludes life insurance.**
 - (c) temporary insurance agreement;
 - (d) temporary term.
- 17. Regarding insurable interest, be able to identify the requirements for the:
 - (a) policy owner;
 - (b) beneficiary;
 - (c) facility of payment provision.
- 18. Be able to identify the meaning of living benefits.
- 19. Be able to identify a "non-medical application" and why a medical examination may be required.
- 20. Be able to identify the acceptable methods for delivery of a life policy to the owner of the policy (CIC 10113.6).

II. LIFE INSURANCE

II. F. Taxation of Life Insurance and Annuity - Premium and Proceeds

- 1. Be able to identify how life and annuity policies receive favorable tax treatment regarding:
 - (a) premium payments;
 - (b) cash value accumulation / dividends;
 - (c) death benefit proceeds;
 - (d) surrender / mature policy values;
 - (e) annuity payments to the beneficiary.
- 2. Be able to identify the (Internal Revenue Service) definition of Modified Endowment Contract, including what effect this might have on a policyholder.

II. LIFE INSURANCE

II. G. Employee Benefits Plans - Life

- 1. Be able to differentiate between the basic characteristics of group and individual policies concerning:
 - (a) requirements for medical examinations / eligibility;

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- (b) an insurance policy / master contract / certificate of insurance;
 - (c) employer as beneficiary;
 - (d) insureds premium:
 - (1) basis;
 - (2) relative cost;
 - (3) payment (contributory / noncontributory)
 - (a) know that the employee pays all or part of the costs in a contributory group insurance plan.**
 - (e) classifications of insureds / allowable benefits levels;
 - (f) selection of coverage.
2. Be able to identify the regulatory requirements for group insurance:
- (a) eligible groups and insureds (CIC 10202);
 - (b) dependents of insured employees (CIC 10203.4);
 - (c) types of life policies and premiums (CIC 10200);
 - (d) incontestability (CIC 10206);
 - (e) war / military / aviation risk (CIC 10206.5);
 - (f) misstatement of age (CIC 10208);
 - (g) certificate of insurance (CIC 10209);
 - (h) conversion privilege (CIC 10209);
 - (i) conversion period coverage (CIC 10209);
 - (j) blanket life insurance (CIC 10220, 10222).
4. Concerning retirement plans, be able to identify the key points regarding:
- (a) qualified plans (Keogh/ IRA/TSA/SEP/401K) and nonqualified plans;
 - (b) defined benefit / defined contribution plans;
 - (c) profit sharing plans;
 - (d) government regulation regarding nondiscrimination / vesting / fully funded;
 - (e) tax aspects - contributions / benefits;
 - (f) Employee Stock Option Program (ESOP).

II. LIFE INSURANCE

II. H. Social Insurance System

- 1. Be able to differentiate between the characteristics of social and private insurance.
- 2. Be able to identify the social security system's requirements to be currently insured / full insured.

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2. Be able to identify the kinds of benefit payments paid and the insured status required for the following types of benefits:
 - (a) survivor(s);
 - (b) disability;
 - (c) retirement;
 - (d) Medicare.

4. **Be able to identify the term blackout period and its effect on the surviving spouse' benefits.**

II. LIFE INSURANCE

II. I. Underwriting / Pricing / Claims

1. Be able to identify the following and their role in the underwriting process:
 - (a) Medical Information Bureau;
 - (b) attending physician's statement
 - (1) **know what is required when an application reveals conditions that require more information.**
 - (c) standard, substandard, preferred.

2. Be able to identify that there are standards established for insurers requiring them to avoid unfair underwriting for the risk of HIV / AIDS in California (CIC 799).

3. Be able to identify the following components of an insurer's policy premium:
 - (a) mortality cost;
 - (b) insurer expenses;
 - (c) investment return.

4. Be able to identify the significance, to an insurer, of accurate mortality predictions.

5. Be able to identify the advantages/disadvantages of the methods used to compare the cost of life insurance policies.

6. Be able to identify the advantages of high retention rates for agents / policyholders / insurers.

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II. LIFE INSURANCE

II. J. Financial Structure of Insurers

1. Be able to identify the NAIC or California life insurer requirements regarding the investment of assets
2. Be able to identify:
 - (a) earned surplus;
 - (b) policy dividends.
3. Be able to identify the major financial reports insurers are required to make.

III. HEALTH / DISABILITY INCOME INSURANCE (37% of questions)

Health and Disability Insurance

III. A. Basic Health / Disability Insurance Principles and Concepts / Marketplace

1. Be able to identify and/or apply your understanding of the following:

(a)	morbidity	extension of benefits	waiting period
	elimination period	probationary period	deductible
	preexisting conditions	corridor deductible	copayment
	coinsurance	stop-loss provision	waiver of premium
	gatekeeper concept	free-look provisions	short rate/prorate
	accident vs. sickness	capital vs. principal sum	accidental death
	managed care	uniform policy provisions	master policy owner
	Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)		
	Employee Retirement Income Security Act of 1974 (ERISA)		
(b)	policies - cancellation and renewability features (e.g. cancelable, noncancelable, guaranteed renewable, noncancelable-guaranteed renewable)		
2. Be able to identify and differentiate between the major kinds of insurance mechanisms:
 - (a) Service type (e.g. Blue Cross & Blue Shield; HMO's);
 - (b) Indemnity type (e.g. Insurers, MET's / PPO's / EPO's);
 - (1) know that with indemnity plans, claim forms are typically completed and submitted by the participant.**
 - (c) Self funding;
 - (d) Other (e.g. associations, franchises, trusts).

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3. Be able to identify the advantages and disadvantages of individual vs. group coverage.
(a) know that the following may opt for a self insured medical and disability plan: labor unions, fraternal, and co-ops.
4. Be able to identify what constitutes eligibility for "group" coverage (e.g. employer/employee relationship, associations, franchise).
(a) know that the probationary period in a group health policy is intended for people who join the group after the policy effective date.
5. With respect to group programs, be able to identify the following terms:
 - (a) contributory vs. non contributory;
 - (b) blanket policies;
 - (c) occupational vs. nonoccupational;
 - (d) third party administrator;
 - (e) coordination of benefits.
6. Be able to identify:
 - (a) the types of providers (physicians, hospitals, urgent care centers, home health care etc.);
 - (b) provider contacts (e.g. PPO's, HMO's, EPO's).
7. Be able to identify a definition of the following limited insurance policies:
 - (a) Travel Accident;
 - (b) Specified and Dread Disease;
 - (c) Hospital Income / Hospital Confinement Indemnity;
 - (d) Accident only;
 - (e) Credit;
 - (f) Blanket.
8. Be able to identify other sources of coverage that should be considered when determining a family's health / disability insurance needs (e.g. workers compensation, social security, Medicare, work related benefits, statutory plans, etc.)

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III. HEALTH / DISABILITY INCOME INSURANCE

Health and Disability Insurance

III. B. Medical Expense Insurance

1. Be able to identify the:
 - (a) types of plans (Basic / Comprehensive Major Medical / Supplemental Major Medical);
 - (b) plan structure (HMO / PPO / EPO / Self Funding / Indemnity / Dual Choice Plans);
 - (c) benefit structure (Scheduled / Usual, Customary, Reasonable);
 - (d) optional coverages (Dental / Vision / Prescription Drug Card / Supplemental Accident);
 - (e) contract issues and clauses (Family Deductible, Grace Period / Extension of Benefits / COBRA / Waiting Periods / Pre-existing conditions / Elimination Periods / Right to terminate / Coordination of Benefits / Take-over Benefits - coinsurance & deductible carryover; - no loss / no gain / First dollar coverage / Restoration of Benefits);
 - (f) exclusions and limitations.
2. Be able to identify that the Department of Insurance has jurisdiction over entities that provide coverages designed to pay for health care providers' services and expenses unless the health care providers are appropriately licensed or certified by other governmental agencies (CIC 740).
3. Be able to identify how and why each of the following applies to eligibility and/or rating factors to affect rating structures:
 - (a) demographics (gender / age / occupation);
 - (b) industry;
 - (c) location / zip code;
 - (d) carrier history;
 - (e) medical history:
 - 1) chronic or ongoing conditions;
 - 2) catastrophic conditions;
 - 3) pregnancies;
 - 4) disabled employees/dependents (not actively at work / Extended benefits of a former carrier);
 - (f) contribution (policy - contributing / non-contributing);
 - (g) participation (employees & dependents - covered / eligible).

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4. Be able to identify the impact of current legislative issues on the Health industry (e.g. ERISA / COBRA / mandated benefits - ADA, FMLA, maternity & others).
 - (a) **know that the Employee Retirement Income Security Act of 1974 (ERISA) fiduciary standards benefit plan participants and beneficiaries.**

III. HEALTH / DISABILITY INCOME INSURANCE

Senior Health Products

III. C. Medicare and Medi-Cal

1. For Medicare Products, be able to identify:
 - (a) who is eligible for coverage;
 - (b) coverage provided by Part A - Hospital Insurance (deductibles, inpatient/outpatient coverages);
 - (c) coverage provided by Part B - Medical Insurance (deductibles, coinsurance, physician services, second opinion before surgery, hospital outpatient, other covered services, drugs, mental illness, **diagnostic tests and x-rays performed on outpatient basis**, etc.);
 - (1) **know that Medicare Part B is only for individuals aged 65 or older.**
 - (d) concerning claim payments for Part B - Medical Insurance:
 - 1) the meaning of "approved and reasonable charges" and the "Medicare assignment;"
 - 2) the effect of being / not being a participating physician or supplier;
 - (e) how Medicare claims are submitted;
 - (f) what information is provided by the Explanation of Medical Benefits.
2. For Medicare Products, be able to identify:
 - (a) insureds right of appeal;
 - (b) expenses that would not be paid;
 - (c) how and when the coverage is obtained including the general enrollment period.
3. Be able to identify how and why Medicare Supplement policies are "standardized" and how they are designed to fill the gaps of Medicare coverage.
4. Be able to identify what Medi-Cal is and who is eligible.

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5. Concerning Insurance to Supplement Medicare, be able to identify the California Insurance Code requirements regarding the following:
- (a) Plan A - core package of benefits must be offered (CIC 10194.3);
(1) know that insurers may offer Medicare Supplement insurance plans that contain only core benefits.
 - (b) Plans A - J (CIC 10194.2-10194.3);
 - (c) Prohibitions on Discrimination (CIC 10194.8);
 - (d) Replacement coverage (CIC 10197).

III. HEALTH / DISABILITY INCOME INSURANCE

Senior Health Products

III. D. Long Term Care (CIC 10231)

1. Regarding Long Term Care Insurance, be able to identify:
- (a) why this coverage might be needed (Medicare limitations, Medi-Cal eligibility);
 - (b) evaluations to make before purchasing;
 - (c) the types of benefits available (hospice, respite care, adult day care);
 - (d) the triggers for benefits;
 - (e) common policy provisions.(elimination periods / renewability / waiver of premium & nonforfeiture / inflation protection / Alzheimer's coverage requirements / extension of benefits beyond policy termination);
 - (f) ways to issue contracts (individual, group, endorsement to life policy);
 - (g) types of contract limits (daily benefits / policy maximum limits).
2. Be able to identify the California Insurance Code requirements regarding Long Term Care policies:
- (a) Long Term Care Insurance definition;
 - (b) Nursing Facility Only, Home Care, Comprehensive Policy (CIC 10232.1);
(1) know that skilled nursing care, intermediate nursing care, custodial care, home health care, home care and community based care are standard levels of care.
 - (c) Preexisting Conditions (CIC 10232.4);
 - (d) Return of Policy (CIC 10232.7);
 - (e) Home Care required benefits (CIC 10232.8);
 - (f) Prohibited Provisions (CIC 10233.2);
 - (g) Replacement Policies (CIC 10233.3,10234.95, 10235.16);
 - (h) Outline of Coverage is required (CIC 10233.5);

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- (i) Marketing Standards including HICAP (CIC 10234.93).

III. HEALTH / DISABILITY INCOME INSURANCE

Senior Health Products

III. E. Health Insurance and Counseling Advocacy Program (HICAP)

- 1. For HICAP, be able to identify:
 - (a) who the program serves;
 - (b) the cost of the program to persons served;
 - (c) its function (consumer education, consumer advocacy, legal assistance).

III. HEALTH / DISABILITY INCOME INSURANCE

Disability Insurance

III. F. Disability Income Insurance

- 1. For disability income insurance be able to identify:
 - (a) **the need for disability insurance;**
 - (b) definitions of partial and total disability (including Social Security definition) and eligibility requirements;
 - (1) **know that Social Security disability benefits are paid to persons whose disability is expected to last at least 12 months or lead to death.**
 - (c) the difference between occupational and nonoccupational coverage;
 - (d) how federal income tax applies to payments;
 - (e) reasons for insurer limitations on coverage amounts.
- 2. Be able to identify how and why each of the following applies to eligibility and/or rating factors to influence rating structures:
 - (a) age;
 - (b) gender;
 - (c) income requirement and "elimination period;"
 - (d) job classification;
 - (e) avocation;
 - (f) health (past and present).
- 3. Be able to identify the effect of taxes on the participants and of sponsors of the following:
 - (a) group;
 - (b) individual;

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- (c) franchise.
4. Be able to identify each of the following provisions / riders:
- (a) maximum and minimum benefits;
 - (b) notice of claim;
 - (c) automatic increase provision;
 - (d) beneficiary;
 - (e) own occupation;
 - (f) cost of living rider;
 - (g) benefit period;
 - (h) Social Security benefit rider;
 - (i) benefit integration;
 - (j) residual;
 - (k) rehabilitation;
 - (l) recurring disability;
 - (m) transplants;
 - (n) standard exclusions & limitations;
 - (o) return of premium rider.

III. HEALTH / DISABILITY INCOME INSURANCE

Disability Insurance

III. G. Worker's Compensation

III. G1. General Concepts

1. Be able to identify the effect on the legal relationship between the employee and the employer that was intended when workers compensation laws were written.
2. Be able to identify situations where workers compensation coverage is required by law and the methods used to provide the coverage.
3. Be able to identify how the coverage provided by a workers compensation policy in California is determined and who pays the premium.
4. Be able to identify a description of the California State Compensation Insurance Fund and who may place business with it.
5. Be able to recognize common circumstances where workers compensation policies would or would not provide coverage for an injury or sickness.
6. Be able to identify the four different types of benefits provided.

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7. Be able to identify that covered medical expenses have no time or dollar limits.
8. Be able to identify reasons why Employers Liability coverage is necessary in addition to workers compensation.

III. HEALTH / DISABILITY INCOME INSURANCE

Disability Insurance

III. G. Worker's Compensation

1. **Be able to identify the agent's education requirement that authorizes the life agent to sell Workers' Compensation coverage (CIC 1749[c]).**

III. G2. 24 Hour Coverage

1. Be able to be able to identify:
 - (a) what "24 Hour coverage" is;
 - (b) how "24 Hour coverage" concept differs from the policies that it is designed to replace (CIC 1749.02).

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